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DISPATCH NO. MGK-A- 38824

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TO : Chief, Foreign Division M
FROM : Chief of Station, Karlsruhe *C/mt*
SUBJECT: GENERAL -

DATE: 31 August 1951

SPECIFIC: FRUENGEL Torpedo Exploder

REFERENCE: MGK-W-9795, WASH-49522; KARL-3185

1. FRUENGEL was finally contacted in Hamburg on 29 August 1951, and your counter proposal offering \$25,000 presented to him. He accepted so easily that I was afraid he did not understand that manufacturing rights were included. When I carefully explained this to him he said, "I understand. It's much less than I asked for, but I'm no business man. Anyway, if the Leuchtfisch can be used for Western defense, I'm glad."

2. FRUENGEL has no capital and will require money from us either in dollars or DMs for the production, which he estimates can be completed in about three months after the cash is made available to him. The production of five or six units will in his estimation cost about \$15,000, leaving him \$10,000 profit. This he would like to have made available to him in the United States. From his remarks, he believes that should production costs run higher, the excess will come out of his profit. He does not ask for the entire \$15,000 immediately, but says \$7,000 would get him started and the additional \$8,000 could be paid later. I recommend that the entire \$15,000 be put at his disposal from the beginning.

3. If you are willing to put up the capital at the beginning, FRUENGEL would like to know the estimated date it will be available so he can plan his work on other contracts. This is necessary so that he can fulfill our order as quickly as possible without delaying other orders and thereby risking having to make penalty payments to other firms.

4. To ensure that technical details of the unit to be produced conform to our requirements, FRUENGEL feels that he should consult with a US engineer, either in Germany or in the United States. This engineer should, of course, be one who knows the details of the torpedo in which the unit is to be used or tested.

5. FRUENGEL, from his comments, is willing, in fact desires to have regular supervision or monitoring of the work. As he put it, we will then know at all times that he is actually doing his job and not diverting the funds to his personal use.

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6. It is strongly recommended that arrangements be made to transfer this entire matter to a ZASSEMAN representative at the earliest date possible, thereby removing the burden of non-intelligence and administrative work from us. If a local office is made responsible, we can brief its representatives here and arrange the introductions.

7. FRUENGEL plans to establish a laboratory in Canada, and also to seek markets for his other products in the USA, where he holds several patents. This explains his wish to have the profits from the Leuchtfisch deposited in the US. He has promised to send me complete details on all his products, and we will send them on for your information.

8. In addition, he will also send me some details on an order placed by the British Government and on inquiries made by the Egyptian Government. The Egyptians are interested in equipment to be used in ballistic and trajectory work on missiles. He is particularly concerned about the political reliability of Egypt and our recommendations as to whether he should do business of this nature with them. These details will be forwarded when received from him.

9. FRUENGEL suggested that I should receive some profit from the Leuchtfisch deal; that is, he was prepared to give me my "cut." I told him that I neither expected nor wanted anything, as I was only doing my duty. This, he said, was the way he would feel and was pleased that I felt the same way.

10. FRUENGEL has been very cooperative and pleasant to work with. If the Leuchtfisch is of value to the US, I hope that the final settlement can be re-examined to ensure that he receives a fair reward for his work.

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